

DETAILED ACTION

Specification

1. The spacing of the lines of the specification is such as to make reading difficult. New application papers with lines 1½ or double spaced on good quality paper are required (MPEP Appendix R section 41.106 (A)(2)(ii)).

2. The disclosure is objected to because of the following informalities:

The detailed description paragraph 1, line 2, refers to 'this incorporates'. It is not clear what 'this' refers to—the 'manifestation' or the 'owning of [a] plan'.

Detailed description lines 2-3 paragraph 2, lines 5-6 'approximately 1% than say CD's' is unclear.

Detailed description, paragraph 7, lines 5-6 say 'This represents a significant averaging of the benefits of the invention'. 'This' has no proper antecedent and the reference to averaging is unclear.

Appropriate correction is required.

Drawings

3. The drawings are objected to because:

Detail description paragraph 1, line 1 'one manifestation ...relates' is vague and thus exactly what Figure 1 thus shows is also vague.

The detailed description (paragraph 1, line 2, and paragraph 2, line 1) says that the corporation owns a plan and purchases an annuity. However, Figure 2 shows the plan buying the annuity, and Figure 8 shows that the annuity and life insurance are both 'corporate owned'.

The detailed description (paragraph 5, lines 1-4) describes using a regular fixed annuity provid[ing] a regular fixed income available to pay into the life insurance component, and that figures 3 and 4 show the income from 'the annuities', but Figure 3 shows only a fixed annuity.

The arrows on Fig. 5 shows the bank loan providing the income from the annuity and corpus of the annuity to the annuity; it also uses 'penalty (sic) charge years' with no reference in the description.

Paragraph 6 (lines 5-8) of the detailed description also says that figures 6 and 7 show moderation of the addition of premiums ('first year', 'ensuing years' 'followed by...') but no such moderation is shown; the arrows have no time element attached to them.

Claim Objections

4. Claim 10 is objected to because '*wherein the method...wherein the cash value*' is grammatically unclear.

Claim 11 is objected to because it is imprecise. '*wherein the method...wherein the cash*' is grammatically unclear, and, '*life*' should be replaced by the phrase 'life insurance policy', twice. No claim dependence stated; assume claim 6.

Claim 12 is objected to because it is imprecise. '*wherein the method of purchasing...wherein the income*' is grammatically unclear, and, '*life*' should be replaced by the phrase 'life insurance policy', twice.

Claim 13 is objected to because '*in wherein*' makes no grammatical sense, and because it cites a method but gives no steps.

Claim Rejections - 35 USC § 112

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5. The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

Claims 2-12 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement. The specification, while being enabling for the corporation's buying an annuity and life insurance, does not reasonably provide enablement for so funding a business financial plan. The use of 'plan' in the detailed description does not appear to be the same 'business financial plan' used throughout claims 1-12.

Page 1, Field of the Invention, (lines 1-2), says the invention 'relates to the funding of annuities and using the annuities to fund life insurance' and (lines 6-8) identifies the invention as providing 'a buy/sell vehicle, tax efficiency, asset protection as well as a vehicle to attract buyers to an otherwise unacceptable business'. The other advantages listed throughout the specification are not related to funding a business plan.

Regarding claim 1, the use of the term 'comprising' indicates that the named steps are essential (see MPEP section 2162 IIA (1)). However, that purchasing an annuity is essential for funding the business is not clear from the specification. It is a use of funds.

Claim 1 does not relate 1(b) to 1(a). Although the specification (Summary, paragraph 2 lines 1-5), describes use of borrowed funds to purchase the annuity, claim 1(b) merely states the business purchases an annuity, not linking the purchase to the businesses borrowing funds at all. Furthermore, the specification and the claim do not link buying an annuity to funding a business. In the Detailed Description, paragraph 7, figure 5 is described as showing that the annuity *can be funded* via a loan and using a loan to fund the annuity is described in lines 4-5 of that paragraph as 'producing a profit from funds not otherwise producing a profit from funds not

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otherwise available in the corporation'; however, the said profit is limited and not likely to be large enough to 'fund the business' financial plan'. A lump sum loan is turned into a stream of smaller payments. Applicant needs to cite an example of how the claims as a whole work to fund a business plan.

Claim 11 is also rejected as being of unclear scope because claim 11 references *'the method of purchasing the universal life policy of claim 6'* whereas claim 6 names a permanent life insurance policy; and *'the permanent life'* is without antecedent in claim 6.

Claim 12 is also rejected as being of unclear scope because claim 12 refers to *'claim 6, wherein the method of purchasing the universal life'*, whereas claim 6 recites purchasing a permanent life insurance policy.

6. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 1-12 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

Claim 1(a), line 2 there is no antecedent for 'said loan'.

Claim 1(b)'s 'said business' may refer to the nearest 'the business' of claim 1(b) or to the 'a business' of the claim preamble. If the business of 1(b) does not refer to the business of 1(a), it appears the claim has two different scopes. If they are the same, the claim should be changed to reflect that.

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Claims 1-12 are also rejected as being incomplete for omitting essential structural cooperative relationships of steps, such omission amounting to a gap between the necessary structural components. The omitted structural cooperative relationship is the relationship between elements 1(a) and 1(b) of claim 1. Claim 1 deals with funding a business and the first element, 1(a) deals with borrowing funds which is a way of funding a business, but it is not clear how element 1(b) is related to or further modifies the funds as there is no citation of providing funds in 1(b).

Claim 11 is rejected as vague and indefinite because it does not specify the claim it references,' *The method of funding a business financial plan of claim, wherein...the universal life* ' and because referenced claim 6 names a permanent life insurance policy, not a universal life insurance policy.

Claim 12 is rejected as vague and indefinite because referenced claim 6 names a permanent life insurance policy, not a universal life insurance policy.

Claim Rejections - 35 USC § 103

7. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 1 and 4 are rejected under 35 U.S.C. 103(a) as being anticipated by Kavanaugh, (U.S. Patent Application Publication No. 2002/0087365 A1 hereinafter referred to as

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Kavanaugh) in view of Kubo et al. (U.S. Patent Application Publication No. 2003/0236741, hereinafter referred to as Kubo).

Regarding claim 1, Kavanaugh teaches a method of funding life insurance policies using annuities, the method comprising:

- a) the business borrowing funds, (the borrowing money from a lender of **paragraph [0015]**),*
- b) said business purchasing an annuity (**paragraph [0015]**),*

but Kavanaugh does not teach said loan based upon collateral.

Kubo teaches 'Loan business 0300 illustrated in FIG. 3 has four business processes, credit investigation 0301, collateral evaluation 0302, condition settlement 0303, and loan action 0304' (Fig 3 and **paragraph [0038], lines 4-7**). It is shown that evaluating collateral is a necessary part of loan processing, i.e. that business loans typically require that the business to which the loan is extended provide collateral for the loan.

It would have been obvious to one of ordinary skill in the art at the time of the invention to modify borrowing money and buying an annuity as taught by Kavanaugh to adapt provision of the collateral feature usually present in a business loan as taught by Kubo. The motivation would be to adapt Kavanaugh's description to the custom of requiring that a business loan be secured by collateral.

Regarding claim 4, Kavanaugh teaches purchasing a life insurance policy (paragraph [0015]).

Claims 2 and 3 are rejected under 35 U.S.C. 103(a) as being unpatentable over Kavanaugh, (U.S. Patent Application Publication No. 2002/0087365 A1 hereinafter referred to as Kavanaugh) and Kubo et al. (U.S. Patent Application Publication No. 2003/0236741

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hereinafter referred to as Kubo) in view of Payne et al. (U.S. Patent No. 6,049,772 hereinafter referred to as Payne).

Regarding claim 2, Kavanaugh teaches *purchasing an annuity* (**paragraph [0015] line 7**).

Neither Kavanaugh nor Kubo teach *the annuity is an index annuity*.

Payne teaches investing premiums to provide cash value increases of annuity contracts (**column 1, lines 31-32**), cash values depend on stock index performance (column 2, lines 51-52), hence, an index annuity (**column 3 lines 43-45**) (as opposed to a fixed annuity).

It would have been obvious to one of ordinary skill in the art at the time of the invention to modify borrowing funds using collateral and purchasing of annuity as taught by Kavanaugh and Kubo to adapt a specific type of annuity, an index annuity, as taught by Payne. The motivation would be to afford the purchaser an option to receive greater returns than with a fixed annuity by taking on more risk in his investment.

Regarding claim 3, neither Kavanaugh nor Kubo teach a fixed annuity.

Payne describes investing annuity premiums with an emphasis on fixed income assets, to guarantee a minimum return, often 4%; hence, a fixed annuity (**column 1, lines 36-37**).

It would have been obvious to one of ordinary skill in the art at the time of the invention to modify borrowing funds using collateral and purchasing of annuity as taught by Kavanaugh and Kubo to adapt a specific type of annuity, a fixed one, as taught by Payne. The motivation would be to afford the insurance purchaser the certainty of receiving a minimum fixed return on his or her investment.

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Claims 5-8 are rejected under U.S.C. 103(a) as being unpatentable over Kavanaugh (U.S. Patent Application Publication No. 2002/0087365 A1 hereinafter referred to as Kavanaugh) and Kubo et al. (U.S. Patent Application Publication No. 2003/0236741, hereinafter referred to as Kubo) in view of Banks (U.S. Patent Publication No. 2002/0052764 hereinafter referred to as Banks).

Regarding claims 5-7, Kavanaugh teaches buying an insurance policy (see claim 4 above), but does not specify the type of policy.

Banks teaches a trust plan which may purchase insurance contracts (**paragraph [0042] lines 1-3**) which investments may be *term life insurance* (**paragraph [0042], line 13**) *permanent life insurance* (**paragraph [0042], lines 11-12**) or *universal life insurance* (**paragraph [0042], line 12**).

It would have been obvious to one of ordinary skill in the art at the time of the invention to modify borrowing funds using collateral and purchasing of an annuity and an insurance policy as taught by Kavanaugh and Kubo to adapt specific types of insurance policies, term, permanent, or universal life as taught by Banks. The motivation would be to customize cash flow by choosing a variety of insurance policies funded from the income from an annuity

Regarding claim 8, Kavanaugh teaches *using the income from the annuity to pay the premium of the universal life policy* (**paragraph [0015] lines 7-8**).

Claim 9 is rejected under 35 U.S.C. 103(a) as being unpatentable over Kavanaugh (U.S. Patent Application Publication No. 2002/0087365 A1 hereinafter referred to as Kavanaugh), Kubo et al. (U.S. Patent Application Publication No. 2003/0236741, hereinafter referred to as

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Kubo) and Banks (U.S. Patent Publication No. 2002/0052764 hereinafter referred to as Banks) and further in view of Lewis et al. (U. S. Patent No. 6,611,815 hereinafter referred to as Lewis).

Regarding claim 9, neither Kavanaugh nor Kubo nor Banks specifically teach use of the annuity corpus (or principal) at the end of the surrender charge to pay a premium of the universal life insurance policy.

Lewis teaches annuity contracts may allow the annuity to be cashed in, and that the contract may allow receipt of the total value less any surrender charges. The cashing in thus means taking the corpus of the annuity. **(column 4, lines 24-41).**

It would have been obvious to one of ordinary skill in the art at the time of the invention to modify borrowing funds, buying an annuity and using the income from the annuity to pay universal life insurance policy premiums as taught by the combination of Kavanaugh, Kubo and Banks to adapt access to the corpus as taught by Lewis. The motivation would be to increase the value of the life insurance, thereby increasing the amount which may be passed onto an heir without tax burden.

Claim 10 is rejected under 35 U.S.C. 103(a) as being unpatentable over Kavanaugh (U.S. Patent Application Publication No. 2002/0087365 A1 hereinafter referred to as Kavanaugh) and Kubo et al. (U.S. Patent Application Publication No. 2003/0236741, hereinafter referred to as Kubo) and Banks (U.S. Patent Publication No. 2002/0052764 hereinafter referred to as Banks) and further in view of Bolek et al (Post-Tribune Jul 18, 2001, 'For some investors, annuities are good choice' hereinafter referred to as Bolek).

Regarding claim 10, neither Kavanaugh nor Kubo nor Banks teach use of maximum partial penalty free withdrawals to pay universal life insurance policy premiums.

Bolek teaches that an owner of an annuity may make penalty-free withdrawals
(Abstract, lines 2-3).

It would have been obvious to one of ordinary skill in the art at the time of the invention to modify borrowing funds, buying an annuity and using the income from the annuity to pay universal life insurance policy premiums as taught by the combination of Kavanaugh, Kubo and Banks to adapt recovering allowed partial withdrawals from the annuity as taught by Bolek. The purpose is to distribute more wealth to the inheritor, while not stopping periodic annuity payments during the lifetime of the policyholder.

Claims 12-13 are rejected under 35 U.S.C. 103(a) as being unpatentable over Kavanaugh (U.S. Patent Application Publication No. 2002/0087365 A1 hereinafter referred to as Kavanaugh), Kubo et al. (U.S. Patent Application Publication No. 2003/0236741, hereinafter referred to as Kubo) and Banks (U.S. Patent Publication No. 2002/0052764 hereinafter referred to as Banks) and further in view of Lewis et al. (U. S. Patent No. 6,611,815 hereinafter referred to as Lewis) and of Bolek et al (Post-Tribune Jul 18, 2001, 'For some investors, annuities are good choice' hereinafter referred to as Bolek).

Regarding claims 12 and 13, neither Kavanaugh nor Kubo nor Banks specifically teach use of the annuity corpus (or principal) to pay a premium of the universal life insurance policy or use the penalty-free withdrawals associated with some annuities to pay the premiums of the life insurance policy. As in claims 9 and 10 above, Lewis and Bolek teach the use of the corpus and penalty-free withdrawals respectively. Claims 12 and 13 combine these two sources of funds.

It would have been obvious to one of ordinary skill in the art at the time of the invention to modify borrowing funds, buying an annuity and using the income from the annuity to pay universal life insurance policy premiums as taught by the combination of Kavanaugh, Kubo and Banks to adapt surrendering the annuity when it is profitable to do so, as taught by Lewis to add the value of its corpus less surrender charge plus the penalty-free partial withdrawals from the annuity to the life insurance as taught by Lewis and Bolek. The motivation would be to maximize the value of the life insurance in view of reducing taxes to the heir.

Claim 11 is rejected under U.S.C. 103(a) as being unpatentable over Kavanaugh (U.S. Patent Application Publication No. US 2002/0087365 A1 hereinafter referred to as Kavanaugh) and Kubo et al. (U.S. Patent Application Publication No. 2003/0236741, hereinafter referred to as Kubo), and Banks (U.S. Patent Publication No. 2002/0052764 hereinafter referred to as Banks) and further in view of Menke (U.S. Patent Publication No. 2003/0033172 A1 hereinafter referred to as Menke).

Regarding claim 11, neither Kavanaugh nor Kubo nor Banks teaches annuitization of a (universal or permanent) life insurance policy.

Menke teaches that the owner of a life insurance policy can exchange that policy for an annuity, or annuitize it, thus creating an income flow, without an event of recognition under tax laws (**paragraph [0010], lines 1-4**).

It would have been obvious to one of ordinary skill in the art at the time of the invention to modify borrowing funds, buying an annuity and using the income from the annuity to pay universal life insurance policy premiums as taught by the combination of Kavanaugh, Kubo and

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Banks to adapt annuitization of that policy as taught by Menke. The motivation would be to increase income to the business owning the policies while minimizing tax consequences.

Conclusion

8. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure

U.S. Patent No. 5,754,980, Anderson et al., teaches, in the context of providing a payment to a beneficiary using life insurance, types of life insurance policies of whole life or permanent life insurance, and term life insurance.

U.S. Patent No. 5,231,571, D'Agostino, teaches, in the context of customer terminals at a financial institution branch which display financial service information, (column 15 lines 52-54) '...assume the customer selected the Universal Life Insurance product displayed in Fig 9A.'

Cruz, San Antonio Express-News April 29, 2002 'Fixed annuities gain a bit of respect;' teaches that when a purchaser has a fixed annuity, 'If you take the money out before a certain time, you typically pay a "surrender charge" to the insurance company. ...With the TIAA-CREF Personal Select Annuity ...you avoid a surrender charge altogether...' and that with the Vanguard Single 5 annuity, 'Surrender charges start at 5% and decline by a percentage point each year. The charges stop completely after five years'

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Linda C. Perry whose telephone number is (571)270-1466. The examiner can normally be reached on 7:30AM-5PM Mon-Fri, Alt Fridays, EST.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Thu Nguyen can be reached on (571)272-6967. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

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